

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF DEMA)	CASE NO. 91-230-F
GAS COMPANY, INC.)	

O R D E R

On January 15, 1992, the Commission issued its Order in Case No. 91-230 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a quarterly basis in accordance with the provisions of the gas cost adjustment ("GCA") clause set forth therein.

On May 28, 1993, Dema Gas Company, Inc. ("Dema") filed its quarterly GCA, which was to become effective July 1, 1993 and remain in effect until September 30, 1993. On June 24, 1993, the Commission suspended Dema's proposed rates for 5 months in order to explore the reasonableness of the rates. The Commission issued data requests and received responses from Dema concerning sales volumes and the actual adjustment calculation.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Dema's notice of May 28, 1993, as amended August 3, 1993, set out certain revisions in rates which Dema proposed to place into effect, said rates being designed to pass on to its customers the expected wholesale change in gas cost from its supplier. Dema reported an expected gas cost ("EGC") of \$2.7284 per Mcf based on

a wholesale rate of \$2.00 per Dth. However, Dema also reported, in the same filing, a contracted wholesale total delivered price of \$2.50 per Dth for gas delivered from December 1, 1992 through November 30, 1993. Therefore, the actual EGC is \$3.4015 per Mcf.

2. Dema's notice included a current quarter actual adjustment of 13.77 cents per Mcf to compensate for under-recovery of its gas cost through the operation of its gas cost recovery procedure during the months of January, February, and March 1993. Dema's current quarter actual adjustment calculation should have been based on actual sales volumes instead of minimum allowable as adjusted for line loss. In this calculation, Dema incorrectly used an amount of \$3.24 as the EGC in effect for each month. The correct EGC, as authorized in Case No. 91-230-D¹, should be \$3.4105. These corrections result in a current quarter actual adjustment of 2.44 cents per Mcf. Dema incorrectly reported a third previous quarter actual adjustment of 3.06 cents per Mcf. The correct third quarter actual adjustment, as authorized in Case No. 91-230-C², should be 1.59 cents per Mcf. These corrections result in a total actual adjustment of 3.49 cents per Mcf to

¹ Case No. 91-230-D, The Notice of Purchased Gas Adjustment Filing of Dema Gas Company, Inc., Order dated January 19, 1993.

² Case No. 91-230-C, The Notice of Purchased Gas Adjustment Filing of Dema Gas Company, Inc., Order dated October 9, 1992.

correct the current under- collection, as well as over- and under- collections from the previous quarters.

3. Dema did not propose a refund adjustment.

4. The combined effect of the above corrected adjustments is Dema's gas cost recovery rate ("GCR") in the amount of \$3.4364 per Mcf, an increase of 65.1 cents per Mcf from its last approved rates.

5. Dema's corrected adjustment in rates, set out in the Appendix to this Order pursuant to the GCA provisions approved by the Commission in its Order in Case No. 91-230 dated January 15, 1992, is fair, just, and reasonable, in the public interest, and should be effective with gas supplied on and after the date of this Order.

IT IS THEREFORE ORDERED that:

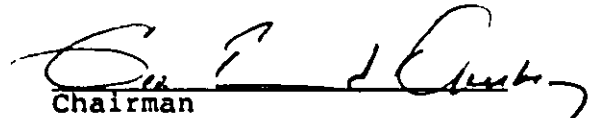
1. The rates proposed by Dema be and they hereby are denied.

2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable and are approved effective with gas supplied on and after the date of this Order.

3. Within 30 days of the date of this Order, Dema shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 12th day of August, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-230-F DATED August 12, 1993.

The following rates and charges are prescribed for the customers in the area served by Dema Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATE:

	<u>Base Rate</u>	<u>GCR</u>	<u>Total Retail Rate</u>
First 1 Mcf	\$7.4648	\$3.4364	\$ 10.9012/Mcf
Over 1 Mcf	6.2648	3.4364	9.7012/Mcf
Minimum Bill	\$10.90		